



From the Director's Chair

David Hunter
Executive Director/CIO

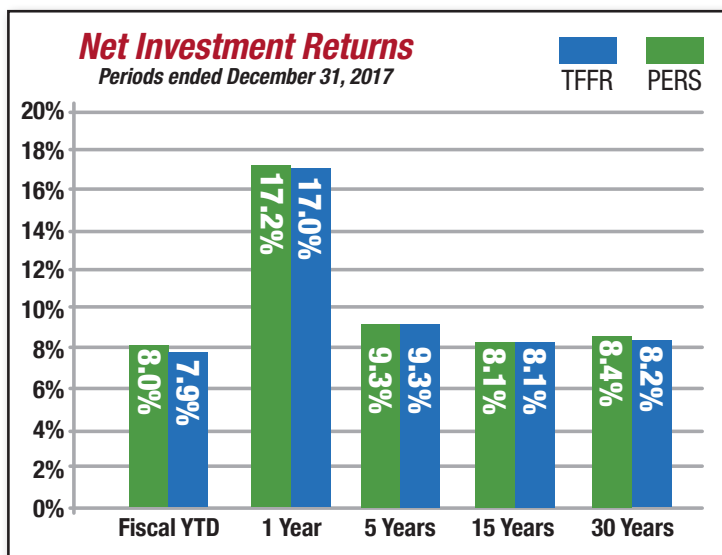
PERS and TFFR Earn 17% in 2017 and 9% in Last 5 Years

The Retirement and Investment Office (RIO) is pleased to report that PERS and TFFR earned approximately 17% in 2017 and nearly 9.3% for the 5 years ended December 31, 2017. Strong global growth rates were a major factor driving impressive returns in the financial markets in 2017 with U.S. equities up 20%, Non-U.S. equities up 31%, and emerging market equities up 40% for PERS and TFFR. Fixed income returns were also strong with our U.S. debt portfolio posting a 7% gain and international debt earning over 11% (largely due to favorable foreign currency gains). Real asset results were mixed with real estate and infrastructure earning 10% and 11%, respectively, while our timber portfolio declined 4% in 2017.

During the last 5 years, U.S. equities were our top performing asset class (up 16%), followed by real estate (12%), international equity (9%), infrastructure (5.5%), fixed income (3.7%), and timber (down 0.4%). Returns are reported after management fees and are annualized for periods over one year.

For the six months ended December 31, 2017, TFFR and PERS earned approximately 7.9% and 8.0%, respectively. During the last 30 years, TFFR and PERS earned net investment returns over 8%.

Successful active management occurs when the SIB selects a team of investment managers which outperform an underlying



benchmark index. For the 5 years ended December 31, 2017, RIO is pleased to report the SIB's use of active management has generated returns which have surpassed underlying benchmarks by over 0.60% per annum. Based on total SIB investments averaging approximately \$10 billion since 2013, this translates into \$300 million of incremental income for our clients over the last five years. RIO is also pleased to report that TFFR and PERS returns were consistently ranked in the top 30% of all U.S. public pension plans for the 1, 3, 5, and 7 year periods ended December 31, 2017, based on Callan's Public Fund Sponsor Database.

Annual Audit Completed

The 2017 financial statements of the North Dakota Retirement and Investment Office received an unqualified audit opinion from the independent audit firm of CliftonLarsonAllen, LLP. There were no exceptions, recommendations, or findings in the report. The final [2017 Audit Report](#) can be viewed from our [website](#).

State Investment Board (SIB)

Lt. Governor Brent Sanford, Chair
Rob Lech, TFFR Trustee, Vice Chair
Mike Gessner, TFFR Trustee
Jon Godfread, State Insurance Commissioner
Adam Miller, PERS Trustee
Mel Olson, TFFR Trustee
Kelly Schmidt, State Treasurer
Troy Seibel, PERS Trustee
Jodi Smith, Land Commissioner
Yvonne Smith, PERS Trustee
Cindy Ternes, CPA, Designee WSI

RIO Administrative Office

David Hunter, Executive Director/CIO
Fay Kopp, Deputy Executive Director/
Chief Retirement Officer
Darren Schulz, Deputy CIO
Shelly Schumacher, Editor

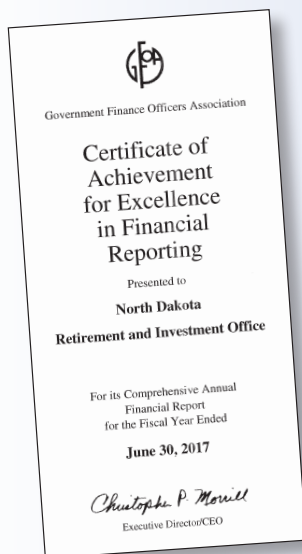
ND Retirement & Investment Office

3442 East Century Ave, P.O. Box 7100
Bismarck, ND 58507-7100
701-328-9885
Toll free: 1-800-952-2970
www.nd.gov/rio/SIB

Articles are for general information only and are not intended to provide specific advice or recommendation. Any views, opinions or conclusions expressed herein are those of the author(s) and do not necessarily reflect the position or policy of the SIB or North Dakota Government. Other forms of this newsletter are available upon request.

Achievement Award Received

The ND Retirement and Investment Office (RIO) is pleased to announce that for the 20th consecutive year its [Comprehensive Annual Financial Report \(CAFR\)](#) was recognized for achieving the highest standards in state and local government accounting and financial reporting. The Government Finance Officers Association (GFOA) awarded its Certificate of Achievement for Excellence in Financial Reporting to ND RIO for its 2017 CAFR.



Annual Financial Report Available

The North Dakota Retirement and Investment Office [Comprehensive Annual Financial Report \(CAFR\)](#) has been published and may be viewed from our [website](#). This report is a complete review of the financial, investment and actuarial conditions of the Teachers' Fund for Retirement and State Investment Board.

State Investment Board Member Update

The SIB welcomed Land Commissioner Jodi Smith in late-2017. Continuing board members include Lt. Governor Brent Sanford as Chair, Rob Lech (TFFR) as Vice Chair, Deputy Attorney General Troy Seibel (representing PERS) as Parliamentarian, State Treasurer Kelly Schmidt, Insurance Commissioner Jon Godfread, Adam Miller (PERS), Cindy Ternes (WSI), Mike Gessner (TFFR), Mel Olson (TFFR) and Yvonne Smith (PERS). We sincerely thank former Land Commissioner Lance Gaebe for his outstanding service to the SIB.



Jodi Smith



Lance Gaebe

SIB Client Assets Rise 17% or \$1.9B in 2017

Global economic growth was strong in 2017 while U.S. unemployment rates declined from 4.8% in January to 4.1% in December. Nearly every major asset class posted impressive returns with U.S. equities up 21%, Non-U.S. equities up 27%, and emerging market equities up 37% in 2017. Given this strong economic backdrop, SIB assets rose by \$1.9 billion (or 17%) and exceeded \$13.3 billion on December 31, 2017. Net investment income for SIB clients exceeded \$1.7 billion in 2017, including \$640M for the Legacy Fund, \$440M for PERS, \$360M for TFFR, and \$195M for WSI. Cash deposits into the Legacy Fund were also significant at \$424M in 2017.

